

Message Text

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ORIGIN EB-02

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R 302045Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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REFS: (A) EC BRUSSELS 5527, (B) EC BUUSSELS 5493
(C) BONN 11588, (D) EC BRUSSELS 5665, (E) BONN 11830

FOL REPEAT STATE SENT ACTION BONN EC
BRUSSELS INFO GENEVA BRUUSSELS COPENHAGEN DUBLIN
THE HAGUE LUXEMBOURG PARIS ROME LONDON OECD PARIS
TOKYO OSLO OTTAWA JUL 29

QTE

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E.O. 11652: N/A

TAGS: ETRD, ENRG, EEC, GW

SUBJECT: FRG PROPOSAL ON DUTY-FREE IMPORTS OF PETROLEUM
PRODUCTS FROM IRAN

REFS: (A) EC BRUSSELS 5527, (B) EC BRUSSELS 5493
(C) BONN 11588, (D) EC BRUSSELS 5665, (E) BONN 11830

1. ACTION ADDRESSEES SHOULD TAKE APPROPRIATE OCCASION TO
WELCOME FRG DECISION (REPORTED REFTEL A) TO WITHDRAW FROM
CONSIDERATION BY JULY 22-23 EC COUNCIL MEETING GERMANY'S
PROPOSAL FOR PREFERENTIAL TREATMENT OF PETROLEUM PRODUCTS
FROM IRAN. -

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2. IN TAKING ACTION REQUESTED PARA 1, U.S. REPS SHOULD MAKE CLEAR U.S. VIEW THAT EC MOVE TOWARD PREFERENCES FOR IRAN (OR FOR ANY OTHER GULF STATE) WOULD BE A SERIOUS DEPARTURE FROM PAST EC ASSURANCES (REITERATED BY CHEYSSON DURING JULY 29 DISCUSSIONS IN WASHINGTON) ON LIMITING PROLIFERATION OF PREFERENTIAL TRADING ARRANGEMENTS. OF EQUAL IMPORTANCE, IT WOULD SUGGEST AN INTENT BY EC TO CARVE OUT A SPECIAL BILATERAL SUPPLY RELATIONSHIP OF THE TYPE WHICH THREATENED EARLIER THIS YEAR TO AGGRAVATE EXISTING DISTORTIONS TO PETROLEUM SUPPLY AND PRICING FACTORS PRINCIPALLY CAUSED BY FALL/SPRING EMBARGO AND CONTINUING PRODUCTION CURBS BY SOME ARAB OIL PRODUCERS. LASTLY, PREFERENTIAL TREATMENT FOR PETROLEUM IMPORTS FROM IRAN WOULD BE IN CLEAR VIOLATION OF FRG'S GATT OBLIGATIONS

TOWARD OTHER CONTRACTING PARTY SUPPLIERS OF LIKE PRODUCTS (INCLUDING SPECIFICALLY THE U.S.).

3. ACTION POSTS SHOULD ATTEMPT TO DETERMINE WHETHER ANY LIFE REMAINS IN FRG PROPOSAL. (CHEYSSON TOLD DEP ASST SEC GLITMAN INFORMALLY THAT EC COMMISSION STRONGLY OPPOSED TO FRG PROPOSAL. CHEYSSON SPECIFICALLY CONCERNED THAT NO MEMBER STATE BE ALLOWED TO NEGOTIATE BILATERAL TRADE AGREEMENTS WITH EXPECTATION THEY WILL BE APPROVED BY EC COUNCIL.) IF FRG WITHDRAWAL INTENDED ONLY TO POSTPONE CONSIDERATION OF ISSUE, APPROPRIATE HIGH LEVEL REPRESENTATIONS SHOULD BE MADE TO LEAVE NO DOUBT ON PART OF FRG OR EC COMMISSION THAT USG VIEWS PROPOSAL AS SERIOUS DEPARTURE FROM PAST EC UNDERTAKINGS, POTENTIALLY DAMAGING TO ONGOING COOPERATIVE EFFORTS IN ENERGY FIELD AND CLEAR VIOLATION OF GATT OBLIGATIONS.

4. AS APPROPRIATE, U.S. REPS MAY ADVISE THAT USG RECEIVED AND REACTED NEGATIVELY TO SIMILAR PROPOSAL (U.S. INVESTMENT LINKED TO PREFERENTIAL IMPORT TREATMENT OF PETROLEUM PRODUCTS) FROM TOP IRANIAN OFFICIALS DURING JANUARY OF THIS YEAR.

5. AS APPROPRIATE, INFO ADDRESSEES SHOULD SEEK OCCASION TO MAKE KNOWN USG VIEWS ON PREFERENTIAL BILATERAL TRADE LIMITED OFFICIAL USE

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ARRANGEMENTS--WHETHER OF THE FRG-IRAN, DUTCH-ROMANIAN OR

ITALO-ROMANIAN VARIETIES (SEE REFTEL D). INGERSOLL

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